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American Banker

The Only Daily Banking Newspaper

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Utica Bankshares of Tulsa Boosting Capital Infusions After Large Loss

Mercantile Texas, Private Investor Are Buying More Equity

By JOHN P. FORDE

NEW YORK — Utica Bankshares of Tulsa, Okla., faced with a dire need for capital after declaring a $20.5 million 1982 loss, has expanded its equity infusion agreements with two sources and replaced its president.

Utica National Bank, the firm's lead institution, was one of the few southwestern banks to invest heavily in Penn Square Bank of Oklahoma City. Utica was left holding about $14 million in loan participations when Penn Square failed last summer.

The 1982 loss dropped shareholders' equity to a dangerously low $4.3 million at yearend from $22 million a year earlier and $27.5 million at Sept. 30. The infusion will bring shareholders' equity back to around the yearend 1981 level.

The $375 million-asset holding company had estimated last December that it would lose $6.5 million in 1982, due to a special loan-loss provision primarily against energy-related credits.

The loan loss provision turned out to be a $29 million hit to earnings. At yearend, the firm's reserve for loan losses stood at $11.8 million, or 4.7% of loans, compared with $2.5 million, or 0.82% of loans at yearend 1981. That year, the firm had an income before securities transactions of $3 million, or $3.58 a share.

A Utica official said the difference between the December estimate and 1982's actual loss was caused by the recognition of more problem credits than expected.

➳ Utica: Page 15

Senator's First Bid to Repeal Withholding Law Is Derailed

By ANDREW ALBERT

WASHINGTON — The first legislative attempt to prevent withholding on interest and dividend income crumbled in the Senate this week under intense pressure from congressional leadership.

But opponents of the 10% withholding plan more legislative manuevers over the next several weeks — and some sooner — to stop the tax-collection law that is scheduled to begin July 1.

Sen. Robert W. Kasten Jr., R-Wis., tried unsuccessfully to amend his repealer bill to an agricultural measure that would bolster farm commodity prices.

Congressional leaders favoring tax withholding managed to force Mr. Kasten to withdraw his amendment, arguing that his rider would jeopardize the agricultural program.

"We are going to continue to work for repeal of withholding, and I believe we are going to be successful," Mr. Kasten pledged after agreeing to abandon his attempt to kill the tax provision.

Aides said Mr. Kasten hopes to attach his repeal bill to one of several revenue measures expected to be considered by the Senate in the next few weeks.

His next attempt is expected this

➳ Withholding: Page 15

Thrifts Switch Charters to Be 'Banks'

Move Seen as Aid to Breaking into Commercial Lending

By KAREN SLATER

NEW YORK — A small name change can make a big difference. That's what the president of the former First Federal Savings & Loan Association of Cleveland says two months after his thrift became First Federal Savings Bank.

The Cleveland institution is one of many thrifts around the country that are getting ready to make loans to businesses. And president Charles "Bud" Koch says First Federal has now overcome one of the major hurdles to achieving that goal — the widespread perception in the business community that S&Ls are mortgage lenders only.

Local businessmen have remarked on First Federal's change to a "bank." They have said things like, "I assume you'll be getting into commercial lending soon," Mr. Koch relates.

First Federal of Cleveland changed its name in conjunction with an actual switch from a federal S&L to a federal savings bank charter. It was the first of around 20 S&Ls to convert since the charter switches were authorized by the Depository Institutions Act of 1982. (Before the new law, the savings bank industry was primarily state-chartered and based in a relatively small number of states.)

➳ Charters: Page 3

S&Ls Converting To Savings Banks
Preliminary Approvals By FHLB District

Atlanta	8
Boston	10
Chicago	0
Cincinnati	3
Des Moines	7
Indianapolis	3
Little Rock	6
New York	2
Pittsburgh	0
San Francisco	4
Seattle	3
Topeka	4
Total	50

Source: District Federal Home Loan Banks. Data as of Feb. 25, 1983. All S&Ls have received conditional approval. A minority have completed the conversion process and are now operating as savings banks.

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Henry Kaufman, chief economist of Salomon Brothers, says some reregulation of financial institutions may be necessary: COMMENT....4

Chemical Fills Fixed-Income Post
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Kaufman . . .

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drive and fiduciary responsibility of financial institutions. Moreover, the monetary authorities then would have tighter control over the total credit-creation process, which currently relies heavily on interest-rate movements.

Because financial markets are increasingly linked internationally, a more formal arrangement among major central banks may also have to be instituted to stabilize financial conditions.

In the meantime, managing financial institutions will become more demanding. Decentralization of control will prove dangerous because of the diversity of risk-taking within major financial institutions.

Indeed, evaluating risk and reward within financial institutions will become increasingly difficult. Both hedging and arbitraging activities involving domestic and international transactions will swell balance sheets, making it difficult to establish prudent rules for leveraging.

While young people in financial institutions will be able to maximize their technical skills early in their careers, as financial innovation brings forth new products and trading techniques, managers will have to control this youthful zeal. The new technicians will try to maximize profits, perhaps without the regard for the mission of the institution or for the totality of the risk involved.

The monitoring of performance and the evaluation of risk-taking will require improved management surveillance. Otherwise, the control and destiny of a financial institution may be swept away by shortsighted people lacking historical perspective.

In any event, the two principal assets of financial institutions will continue to be people and capital. I have already commented on the need to manage new people.

Concerning capital, I find that many institutions are inadequately prepared for the demanding times ahead. A more liberal treatment of capital requirements by the authorities is not the answer.

The solution lies with the genuine enlargement of capital and the improvement in the quality of financial assets.

In institutional portfolio management, the task will continue to be very challenging. The menu of investment alternatives is continually being expanded with many new domestic and international offerings, ranging from short to long maturities and from real to financial assets of varying liquidity and quality.

Forming value judgments among such a huge number of alternatives is by itself extraordinary. New instruments, which by definition have no historical performance record, cannot be analyzed in this way.

If one assumes that financial market volatility is here to stay, making relative value judgments based on historical experience will also be endangered by the potential of discontinuity with past events.

The return of moderate movements in values, however, would mean the resumption of relative value trading and investment practices. Underlying this development would have to be stable and more predictable behavior in economics and finance.

For the time being, I suspect portfolio managers generally will make decisions on shorter-term price movements rather than relying on the longer, more fundamental view that dominated portfolio decisions of the 1950s and 1960s.

In the final analysis, it would be foolish for those of us in financial institutions to believe that institutions as a whole can immunize themselves from the risks associated with a poorly performing economy and world order.

No credit instrument or trading technique can accomplish such a wonder. Our behavior, however, can have an important influence on economic performance. This is why we cannot ignore our fiduciary responsibilities, why our behavior will always be under public scrutiny, and why the financial system must be organized in such a way that it helps to stabilize the world of economic activity without dominating or damaging it. ■

FNH Corp. Gets Approval

CLEVELAND — The Federal Reserve Bank of Cleveland has approved the application of FNH Corp., Herminie, Pa., to become a bank holding company by acquiring the First National Bank of Herminie. ■

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Largest U.S. Commercial Banks by States

In order of December 31, 1982, Compared with December 31, 1981

Compilation of the December 31, 1982 deposit-size rankings of the largest commercial banks with deposits of $10 million or more in the states of Georgia, Hawaii, Idaho, Illinois and Indiana are published below with comparable data for December 31, 1981.

These tables, to be continued in subsequent editions for each of the 50 states, the District of Columbia, and Puerto Rico, as data are received and compiled, supplement the American Banker's annual midyear deposit roll call of the 300 largest U.S. banks published on March 4.

GEORGIA

12/31/82		Deposits Dec. 31, 1982*	Deposits Dec. 31, 1981*	Rank 12/31/81	Gain
1	Citizens & Southern Nat'l Bk, Atlanta	3,928,721,000	3,259,345,000	1	
2	First National Bank, Atlanta	2,786,923,000	2,267,638,000	2	
3	Trust Company Bank, Atlanta	1,637,230,000	1,364,148,000	3	
4	Bank of the South NA, Atlanta	779,691,000	794,210,000	4	
5	National Bank of Georgia, Atlanta	460,702,000	381,794,000	5	
6	Georgia Railroad Bk & Tr Co., Augusta	388,356,000	352,360,000	6	
7	Savannah Bank & Trust Co.	347,621,344	273,612,921	7	
8	Columbus Bank & Trust Co.	301,181,239	259,026,000	8	
9	First Georgia Bank, Atlanta	248,970,975	155,715,000	12	+ 3
10	First National Bank, Columbus	243,957,774	178,058,692	10	

HAWAII

1	Bank of Hawaii, Honolulu	2,579,918,000	2,320,603,000	1	
2	First Hawaiian Bank, Honolulu	1,933,283,000	1,732,316,000	2	
3	American Security Bank, Honolulu	423,553,000	380,777,274	4	+ 1
4	Central Pacific Bank, Honolulu	378,760,000	386,207,849	3	
5	City Bank, Honolulu	282,531,224	258,266,965	5	
6	Liberty Bank, Honolulu	210,185,884	179,385,193	6	
7	Hawaii National Bank, Honolulu	159,397,000	148,838,000	7	
8	Bank of Honolulu	51,716,000	33,314,000	8	

IDAHO

1	Idaho First National Bank, Boise	1,738,552,000	1,582,158,000	1	
2	First Security Bank of Idaho NA, Boise	1,243,151,527	1,162,732,605	2	
3	First Interstate Bank of Idaho NA, Boise	580,738,126	504,986,475	3	
4	Idaho Bank & Trust Co., Pocatello	328,693,000	320,647,718	4	
5	Valley Bank, Idaho Falls	194,854,867	159,200,644	5	
6	Twin Falls Bank & Trust Co.	113,141,921	108,375,891	6	
7	First Nat'l Bk of No. Idaho, Wallace	77,629,000	73,613,000	7	
8	Bank of Commerce, Idaho Falls	74,165,617	66,985,742	8	
9	Treasure Valley Bank, Fruitland	69,076,999	59,401,000	9	
10	First Bk & Trust of Idaho, Malad City	51,939,734	48,488,000	10	

ILLINOIS

1	Cont'l Illinois NB&T Co., Chicago	28,635,668,000	29,881,262,000	1	
2	First National Bank, Chicago	27,495,357,000	25,867,640,000	2	
3	Harris Trust & Savings Bank, Chicago	4,727,252,000	4,574,817,000	3	
4	Northern Trust Co., Chicago	4,100,789,000	4,318,122,000	4	
5	American NB&T Co., Chicago	2,281,719,000	2,083,569,500	5	
6	LaSalle National Bank, Chicago	861,691,000	984,149,000	6	
7	Exchange National Bank, Chicago	843,718,000	471,184,000	8	+1
8	Bank for Svgs & Loan Assns., Chicago	562,904,216	389,192,000	12	+4
9	Northwest National Bank, Chicago	488,692,043	409,456,897	11	+2
10	Lake View Trust & Savings Bank, Chicago	468,524,867	429,961,515	10	

INDIANA

1	American Fletcher NB&T Co., Indianapolis	2,074,983,000	1,959,159,000	1	
2	Indiana National Bank, Indianapolis	1,785,310,000	1,806,822,000	2	
3	Merchants National B&T Co., Indianapolis	1,322,443,000	1,251,477,233	3	
4	Gainer Bank NA, Gary	553,507,373	504,853,341	5	+ 1
5	Lincoln National B&T Co., Fort Wayne	533,720,979	529,386,427	4	
6	Old National Bank, Evansville	490,865,559	452,484,154	7	+ 1
7	Citizens National Bank, Evansville	484,257,000	412,943,762	9	+ 2
8	Fort Wayne National Bank	477,542,097	473,806,867	6	
9	First Source Bank, South Bend	435,154,573	431,036,556	8	
10	First National Bank, Elkhart	415,603,208	334,853,335	11	+ 1

*—Data for 12/31/82 may not be comparable with 12/31/81 because of mergers, etc.

Cap Actions . . .

Continued from page 2

have been major purchasers of the notes because they offer an effective investment for the variable rate funds brought in by the new deregulated money market accounts.

The interest rate will be set weekly at 100 basis points above the latest bond-equivalent 91-day Treasury bill auction rate, beginning with the Treasury bill auction held on March 14, 1983. The notes are repayable, at 100% of their principal amount plus interest accrued to the repayment date, in whole or in part on March 10, 1986, and March 10, 1988, at the option of the holder Citicorp may not recall the notes prior to maturity.

■

First Atlanta Corp., Atlanta, is planning a $50 million 10-year note issue to be offered through an underwriting group managed by Salomon Brothers Inc.; Merrill Lynch White Weld Capital Markets Group; Robinson-Humphrey/American Express Inc. and Keefe, Bruyette & Woods Inc.

First Atlanta, a $4.5 billion-asset bank holding company, said net proceeds of the offering will be used for general corporate purposes, including an advance to the firm's lead bank, the First National Bank of Atlanta. The advance will be used to support the bank's expansion and acquisition programs.

■

Mercantile Bankshares Corp., Baltimore, plans to buy back up to 200,000 of its own common shares on the open market or through privately negotiated transactions. The company had 5.6 million shares outstanding at yearend 1982.

The most recent authorization leaves the firm with board permission to repurchase a total of 270,000 shares. In December of 1981, the company authorized a similar 200,000 share buyback under which it has bought 130,000 shares to date.

The $1.7 billion-asset bank holding company said the shares would be held as treasury stock for use in possible acquisitions, the company's dividend reinvestment plan, or other corporate purposes. ■

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Fed for Ending US Preemption Of State Ceilings

By LISA J. Mc CUE

WASHINGTON — The Federal Reserve Board opposes extending a federal preemption of state interest rate ceilings for credit, even though the agency disagrees with those state limits in the first place, according to Fed Governor Nancy H. Teeters.

Governor Teeters, testifying before the House subcommittee on consumer affairs and coinage Thursday, said the board prefers that usury ceilings be addressed by "corrective action at the state level."

"Despite the board's opposition to artificial constraints on credit availability, we continue to have reservations about federal intrusion into an area long regulated by the individual states," she told the subcommittee.

The federal preemption was authorized by the 1980 Depository Institutions Deregulation and Monetary Control Act for a three-year period and is scheduled to expire April 1. It affects

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Merrill Lynch and Bankers Trust Team Up for New TIGR Offering

Zero Coupon Securities Are Aimed at Retail Market

By SCOTT McMURRAY

NEW YORK — Merrill Lynch & Co. and Bankers Trust Co. on Thursday began to jointly offer $300 million of Treasury Investment Growth Receipts — known as TIGRs — to the broker's retail customers.

TIGRs are depository receipts written against Treasury securities, and they pay principal and interest upon maturity.

This latest offering, Merrill's fourth since TIGRs were introduced last year, is the first TIGR offering to be comanaged.

Daniel Napoli, Merrill head of government trading, said a co-manager was chosen to attract accounts that may need more than one marketmaker to satisfy fiduciary requirements.

The TIGRs offered Thursday are due each April 15 from 1983 to 1989. Merrill maintains a secondary market in all of its TIGR issues. Including this latest offering, Merrill Lynch has issued $4.85 billion worth of TIGRs.

Mr. Napoli noted that Merrill's first two TIGRs were for 30 years, and the third was for 10 years. TIGR maturities have been shortening in response to

➳ TIGRs: Page 15

Southern Files Under Chapter 11

Butcher Firm Seeks Protection Pending Reorganization

Special to the American Banker

KNOXVILLE, Tenn. — Southern Industrial Banking Corp., the Knoxville industrial loan and thrift company controlled by C.H. Butcher Jr., Thursday morning filed for reorganization under Chapter 11 of the federal bankruptcy laws.

The petition protects the 54-year-old company from creditors, including an estimated 6,000 holders of investment certificates, while it tries to reorganize and pay its debts. Investors drained about $27 million of Southern Industrial's funds following the collapse of brother Jake Butcher's United American Bank of Knoxville Feb. 14.

The filing came three days after the firm, started in 1929 by Cecil H. Butcher Sr., father of C.H. and Jake, announced it would file, and four days after it stopped redeeming maturing certificates of investment. It has about $52 million in assets, according to the State Department of Insurance, which regulates the firm. However, the petition did not list its total assets or liabilities, or the amounts owed to individuals.

However, the filing did include the names of the 10 largest unsecured creditors to the corporation — excluding "insiders" — all evidently holders of investment certificates. Southern In-

➳ Southern: Page 14

Study Finds 20 Big Banks Pay Little Tax

Staff of Tax Panel Also Cites 'Burdens'

By JAY ROSENSTEIN

WASHINGTON — A congressional study of 20 large commercial banks concluded that the group paid relatively little in federal taxes on domestic 1981 income but had other tax-related "burdens" that raised their overall expenses.

The study, by the staff of the Joint Committee on Taxation, estimated that the 20 banks had a combined U.S. pretax income of about $2 billion but an effective domestic tax rate of only 2.7% that year.

But the report also pointed out that when studying bank taxes it should be noted that the institutions are encouraged by the tax laws to invest in low-yield bonds and leases, and that the government requires them to hold non-interest-bearing reserves.

The report was done at the request of Chairman Robert Dole of the Senate Finance Committee.

Mr. Dole, who has suggested bank taxes might be increased, has scheduled hearings on the subject for today.

The congressional report on bank taxes estimated the effective tax rates of banks and presented an overview of tax laws and practices. It did not make recommendations for changing the tax status of banks.

The American Bankers Association, in a statement released Thursday, said the joint committee staff "did an excellent

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Industry Groups Hold Summit
Leaders of the ABA and the IBAA met in St. Louis at a quietly arranged gathering to discuss expanding the powers of bank holding companies. It was sort of a survival conference: **WASHINGTON BANK NOTES**.....4

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